

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
KENT COUNTY MENTAL HEALTH CENTER, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, R.I. 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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Department of Mental Health, Retardation and Hospitals
Kent County Mental Health Center, Inc.
REPORT ON CONTRACT COMPLIANCE
Fiscal Years Ended June 30, 2000 and 1999

EXECUTIVE SUMMARY

Based on our contract compliance engagement for the fiscal years ended June 30, 2000 and 1999 we determined the following:

Audited financial statements reflect that the Community Support, Residential, and Acute Alternatives Program had excess revenues of \$306,503 and \$572,072 for the fiscal years ended June 30, 2000, and 1999 respectively.

Our audit also found one instance of noncompliance regarding the adequacy of disclosures of revenues and expenditures by the independent auditor. This finding also appeared in our prior audit issued April 13, 2000.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
KENT COUNTY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

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November 30, 2001

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Kent County Mental Health Center, Inc., for the fiscal years ended June 30, 2000 and 1999.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the director of the department audited to respond in writing within sixty days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration and to the Honorable Gordon D. Fox, Chairman of the House Finance Committee and to the Honorable Frank T. Caprio, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of the Center for their assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
KENT COUNTY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable revenue used as the basis for funding fiscal years 2002 and 2001;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
KENT COUNTY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health boards to provide mentally disabled children and adults services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Kent County Mental Health Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's Administrative Offices are located at 300 Centerville Road Suite-301S, Warwick, Rhode Island.

A Board of Directors consisting of not more than 15 nor less than 12 individuals elected annually governs the Center.



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Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall -2-
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Kent County Mental Health Center, Inc. (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 2000 and 1999, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of excess funding by MHRH for the fiscal years ended June 30, 2000 and 1999. There, also, was an instance on noncompliance with a provision of MHRH's Rules, Regulations and Standards for funding of Matching Grant Programs in Community Mental Health Centers. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

Ms. A. Kathryn Power, Director
Page 2

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
April 13, 2001

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 KENT COUNTY MENTAL HEALTH CENTER, INC.
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 2000

	<u>Community Support Residential, and Acute Alternatives</u>	<u>Adult General Outpatient</u>	<u>Other Programs</u>	<u>Title XIX Program</u>	<u>Total</u>
<u>Revenues</u>					
MHRH	\$ 887,757	88,956	-	-	976,713
DCYF	-	-	546,065	-	546,065
Other Grants & Contracts	12,223	-	345,725	-	357,948
Title XIX Medicaid	-	-		6,479,008	6,479,008
Municipalities	-	-	126,667	-	126,667
Fund Raising & Contributions	3,897	-	4,094	-	7,991
Patient Fees	7,385	-	49,173	-	56,558
Briggs School Fees	-	-	1,067,652	-	1,067,652
Resident Fees	70,007	-		-	70,007
Third Party Reimbursements	132,589	-	315,410	-	447,999
Miscellaneous	89	-	3,040	-	3,129
Total Revenues	\$ 1,113,947	88,956	2,457,826	6,479,008	10,139,737
<u>Expenses</u>					
Personnel	4,100,145	244,409	2,350,996	-	6,695,550
Operating	1,552,388	49,942	1,053,469	-	2,655,799
Purchased Equipment	149,089	-	166,386	-	315,475
Total Expenses	\$ 5,801,622	294,351	3,570,851	-	9,666,824
<u>Other Financial Sources (Uses)</u>					
Interfund Transfer	4,994,178	205,409	1,279,421	(6,479,008)	
Excess (Deficiency) of Revenues Over Expenses	\$ 306,503	14	166,396	-	472,913

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 KENT COUNTY MENTAL HEALTH CENTER, INC.
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 1999

	Community Support Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Title XIX Program	Total
<u>Revenues</u>					
MHRH	\$ 1,250,050	87,231	-	-	1,337,281
DCYF	-	-	488,593	-	488,593
Other Grants & Contracts	21,216	-	297,784	-	319,000
Title XIX Medicaid	-	-	-	5,478,961	5,478,961
Municipalities	-	-	116,010	-	116,010
Fund Raising & Contributions	7,656	-	5,400	-	13,056
Third Party Reimbursements	139,226	-	274,231	-	413,457
Patient Fees	9,458	-	61,678	-	71,136
Briggs School Fees	-	-	1,012,506	-	1,012,506
Resident Fees	69,471	-	-	-	69,471
Miscellaneous	8,067	-	17,667	-	25,734
Total Revenues	\$ 1,505,144	87,231	2,273,869	5,478,961	9,345,205
<u>Expenses</u>					
Personnel	3,435,632	222,478	2,009,092	-	5,667,202
Operating	1,616,558	73,807	1,061,377	-	2,751,742
Purchased Equipment	136,941	-	135,983	-	272,924
Total Expenses	\$ 5,189,131	296,285	3,206,452	-	8,691,868
Other Financial Sources (Uses)					
Intefund Transfer	4,256,059	208,969	1,013,933	(5,478,961)	
Excess (Deficiency) of Revenues Over Expenses	\$ 572,072	(85)	81,350	-	653,337

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 KENT COUNTY MENTAL HEALTH CENTER, INC.
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
 FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

	Fiscal Year Ended June 30	
	2000	1999
<u>Beginning Balance</u>	\$ -	-
Revenues Received Designated for Programs	<u>6,479,008</u>	<u>5,478,961</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	4,994,178	4,256,059
Adult General Outpatient Program	205,409	208,969
Other Programs	<u>1,279,421</u>	<u>1,013,933</u>
Total Applied	<u>6,479,008</u>	<u>5,478,961</u>
<u>Ending Balance</u>	\$ <u>-</u>	<u>-</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 KENT COUNTY MENTAL HEALTH CENTER, INC.
 STATE MATCHING PROGRAM
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
 FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

	Fiscal Year Ended June 30	
	<u>2000</u>	<u>1999</u>
<u>State Funds Allocated</u>		
Adult General Outpatient Services	191,210	185,787
Community Support, Residential and Acute Alternatives	<u>191,210</u>	<u>185,787</u>
	<u>382,420</u>	<u>371,574</u>
Matchable Revenues-Fiscal Years Ended June 30, 1998 and 1997	<u>391,772</u>	<u>452,620</u>
<u>Determination of Over (Under) Payment of State Funds:</u>		
State Funds Allocated (Note 2)	382,420	371,574
Deduct lesser of:		
(a) Applicable Percentage of Matchable Revenues	382,420	371,574
(b) State Funds Allocated	382,420	371,574
Maximum Support - Lessor of A or B (Note 3)	<u>382,420</u>	<u>371,574</u>
Over (Under) Payment of State Matching Funds	<u>-</u>	<u>-</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
KENT COUNTY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Kent County Mental Health Center, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lesser of the following:

- A. 97.613% of the matchable revenue for fiscal year ended June 30, 1998 and 82.094% of the matchable revenue for the fiscal year ended June 30, 1997.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 - Other Programs – Exhibits A and B

These amounts represent funding from sources other than the Division of Behavioral Health Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
KENT COUNTY MENTAL HEALTH CENTER, INC.
STATE MATCHNG PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

	Fiscal Year Ended June 30	
	<u>2000</u>	<u>1999</u>
<u>State of Rhode Island</u>		
Adult General Outpatient Program	\$ 88,956	87,231
Community Support, Residential and Acute Alternatives	<u>887,757</u>	<u>1,250,050</u>
Total State Funds Allocated	976,713	1,337,281
 <u>Matchable Revenues</u>		
Local Communities	437,614	403,076
Fund Raising (Net)	14,006	6,625
Contributions	<u>12,201</u>	<u>19,760</u>
Total Matchable Revenues (For Fiscal Years Ended June 30, 2002 and 2001)	463,821	429,461
 <u>Nonmatchable Revenues</u>		
Title XIX Program	6,479,008	5,478,961
Patient Fees	7,385	9,458
Residential Fees	70,007	69,471
Third Party Reimb.	132,589	139,226
Other Programs	2,010,125	1,873,280
Miscellaneous	<u>89</u>	<u>8,067</u>
Total NonMatchable Revenues	<u>8,699,203</u>	<u>7,578,463</u>
 Total Revenues (Exhibit A & B, Respectively)	\$ <u><u>10,139,737</u></u>	<u><u>9,345,205</u></u>

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
KENT COUNTY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 2000 and 1999 are summarized below:

Revenue Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>2000</u>	<u>1999</u>
Community Support, Residential, And Acute Alternatives	\$ 306,503	\$ 572,072
Adult General Outpatient	14	(85)
Other Programs	<u>166,396</u>	<u>81,350</u>
Total Revenues	\$ <u>472,913</u>	\$ <u>653,337</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program had excess revenues in the amounts of \$306,503 and \$572,072 for the fiscal years ended June 30, 2000 and 1999, respectively, (see exhibits A and B). The Department of MHRH determines the use and disposition of excess revenues.

State Matching Program

It was determined that there was no over or under payment of state matching funds during the period audited. (See Exhibit D).

Matchable revenues were examined for fiscal years ended June 30, 2000 and 1999 and are summarized as follows:

	<u>2000</u>	<u>1999</u>
Municipal Revenues	\$ 437,614	\$ 403,076
Contributions	12,201	19,760
Fund-Raising (net)	<u>14,006</u>	<u>6,625</u>
Total Matchable Revenues	\$ <u>463,821</u>	\$ <u>429,461</u>

Funds received in the fiscal years ended June 30, 2000 and 1999 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2002 and 2001, respectively.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period audited the following Division of Behavioral Health Services contract had a revenue deficiency:

1999 – Adult General Outpatient \$ (85)

Independent Audit Reports

The Center's independent audit reports for the fiscal years ended June 30, 2000 and 1999 continue to not fully disclose revenues and expenditures for the Adult General Outpatient Program, of which, a portion was co-mingled with "Other Center Services" in the reports. R.I. General Laws and MHRH Departmental Regulations require full disclosure as follows:

RIGL 40. 1-8.5-2 states"

"(1) 'Audit' means an annual financial accounting of a Center's financial situation, conducted by a certified public accountant within one hundred twenty (120) days from the end of the Center's fiscal year, and which includes, for the year reviewed and the immediate preceding year, full financial disclosure of the Center's assets, liabilities, fund balances, revenues and expenditures by program, and a verification of matchable funds for the year reviewed."

MHRH-Departmental Regulation 7.9.1 states:

"The Center's audit shall include full financial disclosure of all assets, liabilities, fund balances, revenues and expenditures by program with a minimum display of two years financial data in any audit report."